



ENERGY ASSURANCE DAILY

Monday, July 30, 2007

Electricity

Maryland Faces Future Power Supply Crunch - Energy Executives

A panel made up of executives from Maryland energy suppliers told the Maryland Public Service Commission that the future electricity supply is in danger because of increased demand and hurdles to bringing in more electricity supply. PSC Chairman Steven Larsen said that there is not enough generating capacity in Maryland to meet future demand.

http://biz.yahoo.com/ap/070727/md_electricity_future.html?v=1

Besicorp to Start Construction of 635 MW Besicorp-Empire Power Project in New York August 1

Besicorp-Empire Development Company, LLC (BEDCO) will begin construction August 1 on the Besicorp-Empire Power Project, a natural gas-fired power plant that will be located on the former BASF site in the City of Rensselaer, New York. The new plant will deliver 635 MW (including 107 MW of peaking capacity) of electricity to the New York State electric grid. The facility is anticipated to be in operation and delivering power to the electric grid by December 31, 2009.

<http://www.besicorp.com/empire/pdfs/Press%20Releases/Press%20Release%20-%20Besicorp%20July%2026,%202007.pdf>

TVA Study Recommends Finishing Second Watts Bar Nuclear Reactor in Tennessee

A Tennessee Valley Authority (TVA) nuclear executive has told AP that an internal study commissioned by TVA last year will recommend the federal utility complete a second reactor at the Watts Bar nuclear power plant in Tennessee. The only reactor at Watts Bar came online in 1996, after 23 years and \$7 billion spent on delayed construction. Work on the second planned reactor, the 1,180 MW Unit 2, has been deferred indefinitely since 1985 when TVA shuttered its entire nuclear program over safety concerns and regulatory fallout from the Three Mile Island disaster. Unit 2 still has a valid construction permit from the Nuclear Regulatory Commission.

<http://www.wate.com/Global/story.asp?S=6851834>

Construction Commences for Basin Electric's 422 MW Coal-fired Dry Fork Power Station in Gillette, Wyoming

Reuters, 09:01 July 30, 2007

TXU's 750 MW Monticello Coal-fired Unit 3 in Texas Shuts July 27 and Restarts July 28 Plans to Build 8 Coal-fired Units Suspended

TXUCorp. shut the unit on July 27 to replace filters on the generator stator cooler. The unit was restarted July 28.

Reuters, 16:45 July 27, 2007

Reuters, 08:42 July 30, 2007

Update: APS' 1,314 MW Palo Verde Nuke Unit 2 in Arizona Returns to Full Power July 30

The unit was reduced last week to 40 percent to fix a circulating water leak. It returned to full power this morning.

Reuters, 07:45 July 30, 2007

FPL's 693 MW Turkey Point Nuke Unit 4 in Florida Returns to Full Power July 30

The unit was shut on July 22 to replace several rod position indicator connectors. It returned to full power this morning.

Reuters, 07:34 July 30, 2007

ATCO's 368 MW Battle River Coal-fired Unit 5 in Alberta Shut July 30

Reuters, 09:28 July 30, 2007

TransAlta 353 MW Sundance Coal-fired Unit 5 in Alberta Shut July 30

Reuters, 09:28 July 30, 2007

AES' 335 MW Alamos Gas-fired Unit 4 in California Shut July 29

Reuters, 09:28 July 30, 2007

AES' 427 MW Alamos Gas-fired Unit 5 in California Shut July 29

Reuters, 09:28 July 30, 2007

Dynegy's 260 MW Moss Landing Gas-fired Unit 1 in California Shut July 29

Reuters, 09:28 July 30, 2007

Dynegy's 400 MW Moss Landing Gas-fired Unit 7 in California Shut July 29

Reuters, 09:28 July 30, 2007

Petroleum

ConocoPhillips 146,000 b/d Borger, Texas Refinery Reports Refinery Upset July 28

The upset lasted for six hours.

<http://www2.tceq.state.tx.us/ee/main/index.cfm?fuseaction=getDetails&target=95093>

Reuters, 17:57 July 29, 2007

Chevron's 243,000 b/d Richmond, California Refinery Flaring July 29

The flaring was caused from an instrumentation problem on the sulfur recovery system.

Reuters, 16:47 July 29, 2007

ConocoPhillips Shuts 130,000 b/d FCC Unit at its 238,000 b/d Linden Refinery in New Jersey July 27

ConocoPhillips shut its 130,000 b/d gasoline-making fluid catalytic cracker after a snag on July 27. They are in the process of restarting the unit.

Reuters, 16:34 July 27, 2007

Reuters, 09:49 July 30, 2007

Reuters, 09:57 July 30, 2007

Tesoro's 166,000 b/d Golden Eagle Refinery in Martinez, California Reduces Rates July 29 Due to Leaking Discharge Pipe

The leak on the wet gas compressor was identified and repaired. It is unknown how much crude throughput was reduced as a result of the leak and repair. The company expected the refinery to be running at full capacity again by the afternoon of July 30.

Reuters, 13:56 July 30, 2007

Update: Husky Plans Restart of 165,000 b/d Lima Refinery Shut Following Electrical Fire

Following an electrical fire on July 19, the refinery was operating at 25 percent of capacity. Subsequently, the company shut the entire refinery the following weekend and now plans to restart the facility beginning at 6:00 p.m. today. A representative of the company indicated that the restart process could take several days to more than one week.

Bloomberg News, 11:54 July 30, 2007

Williams Announces Plans to Build 150,000 b/d Crude Oil Pipeline in Gulf of Mexico

The new pipeline will be designed to move the oil from rigs offshore to Gulf Coast refineries.

http://www.williams.com/newsmedia/2007/20070730_917.htm

Update: Open Valve Caused Oil Spill at Coffeyville, Kansas Refinery – Health Officials

According to a story published in the *Wichita Eagle*, Kansas Department of Health and Environment officials say that the 1,700-barrel oil spill that occurred following flooding at the Coffeyville Resources refinery was caused by an open valve on a crude oil storage tank. Refinery officials are still awaiting findings of their own inspection. Refineries facing floods typically partially fill oil tanks to keep them from floating away, something Coffeyville Resources said it was trying to do.

<http://www.washingtonpost.com/wp-dyn/content/article/2007/07/29/AR2007072900790.html>

Magellan to Expand Refined Products Pipeline System in Texas

Magellan Midstream Partners, L.P. intends to loop its existing 12-inch diameter pipeline between its Galena Park origins and its East Houston terminal with a new 16-inch diameter line. The East Houston terminal serves as an origination point for the partnership's 8,500-mile petroleum products pipeline system. The partnership also intends to construct 250,000 barrels of storage at its East Houston terminal and add a new pump station north of the Houston area. These projects will increase the partnership's capabilities to handle petroleum products originating from the Houston area for delivery throughout the Texas market, adding 200,000 b/d of incremental pipeline capabilities to the East Houston terminal and 65,000 b/d of incremental pipeline capabilities to Dallas and other Texas markets. The new additions are currently expected to be operational in the latter half of 2008.

http://www.magellanlp.com/news/2007/20070730_11.htm

Magellan to Expand Refined Products Terminal Facilities in Dallas-Fort Worth Area

The partnership is expanding the storage and loading capabilities at its terminals in the Dallas area to better serve the growing Dallas / Fort Worth market. This enhancement includes construction of 80,000 barrels of storage and expansion of the existing truck rack at its Dallas terminal to accommodate increased throughput of at least 10,000 barrels per day. In addition, the partnership plans to increase pipeline capacity and construct 100,000 barrels of storage at its Aledo terminal and build a new truck rack at its Frost facility, further enhancing its services to the Dallas / Fort Worth region. Based on current project plans, the terminal expansions should provide phased-in incremental capacity and be fully operational in second quarter 2008.

http://www.magellanlp.com/news/2007/20070730_11.htm

Vessel Strikes Crude Oil Pipeline, Causes Spill in Gulf of Mexico July 29

According to the U.S. Coast Guard, an unidentified vessel struck a crude oil pipeline owned by Boise de Arc in the Gulf of Mexico on July 29, leaving behind a spill about two miles by eight miles in size. The pipeline, located about 8 miles from the east bank of Plaquemines Parish, Louisiana, was linked to an offshore well. The leak was stopped at about 12:45 p.m. on July 29.

<http://www.chron.com/dispatch/story.mpl/ap/tx/5009823.html>

Shell Files Regulatory Application for 400,000 b/d Upgrader 2 Project in Alberta July 30

The project, which will have four phases, will eventually be able to process 400,000 b/d of oil sands bitumen. Phase 1 which will have a capacity to process 100,000 b/d of oil sands bitumen is expected to be completed in 2012. Reuters, 15:45 July 30, 2007

Canadian Oil Shipments Likely to be Apportioned on Tight Capacity in Fourth Quarter of 2007 – NEB

According to “An Assessment of the Canadian Hydrocarbon Transportation System,” there will likely not be enough pipeline capacity this fall to ship the surge of crude being pumped from Alberta’s oil sands. By the fourth quarter of 2007, western Canadian oil pipelines could be facing periods of apportionment – a situation in which available pipeline space is “apportioned” or shared among shippers. With no significant additions to the Canadian pipeline system planned before 2009, apportionment could be in place for up to 18 months. (See related story in Natural Gas section.)

<http://www.neb.gc.ca/clf-nsi/rthnb/nwsrls/2007/nwsrls23-eng.html>

Al Qaeda Blamed for Yemen Oil Tanker Attack

According to the *Yemen Times*, Yemeni authorities have blamed Al Qaeda for an attack on an oil tanker in Marib, Yemen last week. In the attack, an armed gang fired a rocket propelled grenade at the tanker causing an explosion and completely destroying the tanker.

<http://yementimes.com/article.shtml?i=1072&p=local&a=3>

Devon Begins First Production from 50,000 b/d Polvo Offshore Oilfield in Brazil

Devon Energy Corporation announced today the commencement of production from its Polvo shallow-water offshore oil field in Brazil. The project is expected to contribute an average of 26,000 b/d in 2008. Gross production is expected to peak by the end of 2008 at approximately 50,000 b/d. Production facilities include a fixed production and drilling platform connected to a floating production, storage and offloading vessel (FPSO). First sales are expected to begin in October when the initial shipment of oil will be offloaded from the FPSO and transported to market. Polvo has estimated resource potential in excess of 50 million barrels

<http://phx.corporate-ir.net/phoenix.zhtml?c=67097&p=irol-newsArticle&t=Regular&id=1033222&&disclaimer=yes>

Brazil Becoming Key Source for New Crude Oil in Western Hemisphere

Brazil's state oil company, Petrobras, projects its crude output in Brazil should reach 2.37 million b/d in 2011, up 27 per cent from this year's planned 1.86 million b/d, and then rise to 2.81 million b/d by 2015. However, Brazil's increase in oil exports is dependent on the country's economic rate of growth.

<http://archive.gulfnews.com/articles/07/07/29/10142586.html>

ExxonMobil to Produce 180,000 b/d from Estimated 600 Million Barrels of Crude Oil Reserves in Indonesia

Reuters, 06:11 July 30, 2007

Natural Gas

Williams Announces Plans for 184 miles of Additional Pipelines and Expanded Natural Gas Processing Capacity in Gulf of Mexico

Williams today announced plans for its deepwater Gulf of Mexico business to provide gathering and processing infrastructure for production in the Perdido Foldbelt. Williams plans to begin pipeline construction in January 2008; the expected date for the pipelines and additional processing capacity to be ready to receive production is around the turn of the decade. Williams' design includes 107 miles of natural-gas gathering pipeline with the capacity to transport approximately 265 million cubic feet per day of production. To accommodate the new production the company expects on its Perdido Norte Project, Williams also plans to significantly increase its daily capacity at its Markham gas-processing plant. The company plans to expand capacity at Markham to more than 500 million cubic feet per day from the existing 300 million level. The crude-oil transportation component of Williams' new installation is designed to move 150,000 barrels per day.

http://www.williams.com/newsmedia/2007/20070730_917.htm

Natural Gas Inventories Headed Towards Record 3.5 Tcf – Raymond James

U.S. natural gas inventories at the end of the summer could hit a record 3.5 Tcf, according to Raymond James & Associates. The brokerage firm said it was raising its estimate for gas supplies, mostly due to higher-than-expected U.S. gas production in onshore areas, such as the Barnett Shale field in Texas. EIA data shows total U.S. gas output in April alone was 1.7 billion cubic feet a day higher than a year earlier.

<http://www.reuters.com/article/domesticNews/idUSN3041169820070730>

Power Failure Shuts Engines at Tarzan Booster Station at Martin County Gas Plant in Texas July 29

The operator found both engines at Tarzan booster down and without power. The cause of the outage was discovered to be three downed power poles. Oncor Delivery replaced damaged poles and restored power to Tarzan Booster. After a defective starter was replaced, both units were restarted.

<http://www2.tceq.state.tx.us/ee/main/index.cfm?fuseaction=getDetails&target=95094>

EnergySouth to Break Ground on Fourth Cavern at Bay Gas Storage Facility in Alabama

EnergySouth announced July 27 that drilling of a fourth high deliverability, salt dome natural gas storage cavern will begin in September of 2007 at the company's Bay Gas Storage facility. The scheduled in service date for the cavern is the fall of 2009. The development of the new 5.0 Bcf cavern represents the initial phase of a planned 10.0 Bcf expansion that will include a fifth cavern at its south Alabama facility. Total working gas capacity at the Bay Gas Storage facility will reach 22.0 Bcf, with 2.4 Bcf/d of withdrawal capacity when the fourth and fifth caverns are completed. EnergySouth has moved the projected in-service date for Bay Gas Storage's third cavern, currently under development, to April 2008.

http://www.energysouth.com/pageview.asp?PageType=ND&edit_id=6&NEID=68

Canadian Natural Gas Pipeline Systems Have Spare Capacity Even in Winter - NEB Pipeline Companies May Lack Capital to Maintain Systems in Future

According to "An Assessment of the Canadian Hydrocarbon Transportation System", not only is there adequate capacity on most NEB-regulated natural gas pipelines, there is also some spare capacity, even in winter, when demand for natural gas traditionally jumps. The report noted that pipeline companies regulated by the NEB are currently able to attract the financial resources needed to maintain their systems and meet the needs of the changing market. However, some pipeline companies and investors have raised concern over their future ability to attract capital given their current return on equity ratios. (See related story in Petroleum section.)

<http://www.neb.gc.ca/clf-nsi/rthnb/nwsrls/2007/nwsrls23-eng.html>

Other News

TCEQ Grants Permits for New Houston Biodiesel Refinery

GreenHunter BioFuels, Inc. has successfully acquired Air Emission Permits from TCEQ (Texas Commission on Environmental Quality). These permits open the way for construction of a 105 million gallon per year (mgy) biodiesel facility including a separate but related 1,500 b/d methanol distillation facility. GreenHunter BioFuels is in the process of converting the former Channel Refining Corporation waste oil/chemical refinery located near Galena Park at the Houston Ship Channel, to production of biodiesel and distillation of off-spec methanol streams from its own biodiesel production mix. The 105 mgy biodiesel unit is currently on track to be in production by March of 2008.

<http://www.downstreamtoday.com/News/ArticlePrint.aspx?aid=5065>

Energy Prices

| U.S. Oil and Gas Prices | | | |
|--|-------|----------|----------|
| July 30, 2007 | | | |
| | Today | Week Ago | Year Ago |
| CRUDE OIL West Texas Intermediate U.S. \$/Barrel | 76.82 | 74.65 | 73.28 |
| NATURAL GAS Henry Hub \$/Million Btu | 6.31 | 6.00 | 7.24 |

Source: Reuters

Energy Notes

Storm Knocks Out Power to 13,600 Dominion Power and Pepco Customers in Washington, DC Area July 29

<http://www.washingtonpost.com/wp-dyn/content/article/2007/07/29/AR2007072901266.html>

Storm Knocks Out Power to 13,000 PSE&G Customers in New Jersey July 29

<http://www.phillyburbs.com/pb-dyn/news/112-07302007-1385359.html>

Power Line Problems Knock Out Power to 13,000 Penn Power Co. Customers in Ohio and Pennsylvania July 28

http://www.timesonline.com/site/news.cfm?newsid=18640335&BRD=2305&PAG=461&dept_id=478569&rfti=6

Blackout Leads to Delays at Orlando International Airport July 29

http://www.orlandosentinel.com/news/local/orange/orl-mcfbriefs30_307jul30,0,62347.story?track=rss

Federal Court Rules Against ExxonMobil's Appeal to Overturn FERC Rule Allowing Open Access to Proposed Alaska Natural Gas Pipeline

http://money.cnn.com/news/newsfeeds/articles/djf500/200707271503DOWJONESDIONLINE000864_FORTUNE5.htm

Mackenzie Valley Natural Gas Pipeline Doubtful With Low Gas Prices, Long NEB Regulatory Process – TransCanada CEO

http://www.breitbart.com/article.php?id=cp_b0727105A.xml&show_article=1

Update: BLM Starting Environmental Assessment of Proposed 650 MMcf/d Collbran-Parachute Natural Gas Pipeline in Colorado

<http://www.9news.com/news/local/article.aspx?storyid=74468>

Woodside Natural Gas Commits to U.S. Staffing and Flagging of Regasification Ships for Proposed OceanWay LNG Import Terminal in California

<http://www.oceanway.com/>

Woodside Petroleum Approves Pluto LNG Export Terminal Project in Australia

<http://www.woodside.com.au/NR/rdonlyres/26F38084-9995-4552-A428-DEA4301751EB/0/WoodsideApprovesPlutoLNGProject27July2007.pdf>

Heat Wave Led to Record Electricity Demand in Montana Last Week

<http://www.topix.net/business/energy/2007/07/heat-wave-led-to-all-time-high-energy-use?fromrss=1>

Entergy's Pilgrim Nuke Unit Gets Final Environmental Impact Statement from NRC to Renew Federal Operating License

<http://www.forbes.com/feeds/ap/2007/07/27/ap3961878.html>

Wolfe Island Wind Farm Project in Ontario Can Move Forward After Deal Reached

<http://www.canada.com/nationalpost/news/story.html?id=34e523ca-7c93-4bb4-88ce-82e7c4172d55>

North Carolina Utilities Commission Dismisses Application for Northwest Wind Developer's Proposed Wind Farm

http://www.journalnow.com/servlet/Satellite?pagename=WSJ/MGArticle/WSJ_BasicArticle&c=MGArticle&cid=1173352155212

Update: TransMountain Pipeline Spur in British Columbia Gushed '10 Large Tanker Trucks Full' of Crude Oil Before Line Was Shut Off Last Week

http://www.ctv.ca/servlet/ArticleNews/story/CTVNews/20070729/oil_spill_070729/20070729?hub=Canada

Iraq Lifts Crude Oil Exports in July to 1.78 Million b/d in July, Record For Year

http://www.energyintel.com/PublicationHomePage.asp?publication_id=2

Venezuela's Sincor Refinery Upgrader Unaffected by Explosion that Injures Three

Reuters, 09:18 July 28, 2007

Reuters, 09:21 July 28, 2007

Reuters, 09:32 July 28, 2007

Links

This Week in Petroleum from the Energy Information Administration (EIA)

<http://tonto.eia.doe.gov/oog/info/twip/twip.asp>

Updated every Wednesday.

Weekly Petroleum Status Report from EIA

http://www.eia.doe.gov/oil_gas/petroleum/data_publications/weekly_petroleum_status_report/wpsr.html

Updated after 10:30 AM & 1:00 PM EST every Wednesday.

Natural Gas Weekly Update from EIA

<http://tonto.eia.doe.gov/oog/info/ngw/ngupdate.asp>

Updated after 2:00 PM EST every Thursday.

ENERGY ASSURANCE DAILY

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<http://www.oe.netl.doe.gov/index.aspx>.

Please direct comments and questions to: ead@oe.netl.doe.gov